

Handloom news

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(For private circulation only)

Dear friends,

Greetings. Welcome to the third issue of Handloom News from Centre for Handloom Information and Policy Advocacy (CHIP). In the era of economic liberalization and globalisation, there is a general thinking in the bureaucrats and policy makers that some sectors, which have been given primacy in the previous years of governance, should not be given any more of the policy benefits. The justification given is that subsidy to these sectors had not helped the growth of Indian economy, and continuation of the same in future would not help in gaining benefits from the integration of Indian economy with the global economy.

However, it is being conveniently forgotten that most of the so-called policy benefits have never reached the actual beneficiaries, basically because of corruption, top-down approach in planning and design of programmes, and half-hearted implementation. Late Sri. Rajiv Gandhi, as a Prime Minister, had created a sensation in 1985 when he admitted that only 15 percent of all the government programmes actually reaches the beneficiaries. Realizing this, time and again, different initiatives have been taken. One such initiative had been to involve voluntary organizations in welfare and developmental programmes. Presently, governance reforms are being brought in to improve the delivery of government services. Now, the current thinking is market competition is the best, and all subsidies are wrong. However, it is not yet realized that in the most developed countries, subsidies are still offered by the governments to sectors, which are not competitive, and which serve the common interests of the people. In India, this is ignored, and a general philosophy of competition is being applied everywhere. Apparently, this is also not followed in principle and practice. Subsidies, sops, tax reliefs and other benefits are being offered to the most powerful sectors and associates, on the sly. Lobbying is the key. Today, it is not political representation which begets some policy benefits. It is lobbying done by associations through business connections and offers to political parties.

In the case of handloom sector, policy benefits offered on paper are being withdrawn, while tax reliefs and subsidies are being offered to the powerloom and mill sectors in the name of encouragement to exports. These recent measures are clearly intended to deliberately change the diverse, broad-based structure of textile sector in India. Creating a monolithic structure, in the name of modernization, would prove detrimental to the interests of the poor in India, and poverty is definitely likely to rise with the ongoing policy steps. Policy scenario today is muddled with more corruption, fissiparous tendencies, nepotism, secrecy, and misunderstanding. In this issue, we decided to focus on the reduced allocations to handloom sector in Andhra Pradesh, wrong priorities of policies, and inappropriate design of schemes. We also feature an article on the impact of globalisation and economic liberalisation, as it appeared in Humanscape magazine.

We look forward to your suggestions and contributions.

D. Narasimha Reddy

What did Handloom Sector to deserve this ?

Handloom sector has been acknowledged by everyone as the biggest source of employment, and is a traditional profession being practiced in India for centuries together. Equally, successive governments in India irrespective of the party have been striving to introduce schemes and programmes which enhance the employment potential of the Indian economy. Given this, normally anyone, including the best of the Economists, would recommend the promotion and encouragement of Handloom sector since it continues to be the largest employer, next only to Agriculture. One Task Force of the Planning Commission in its recent report acknowledges this (see first issue of *Handloom News*). Government statistics show that this sector provides employment to 2.5 crore people, and contributes 22 percent of total textile production in India.

Despite all this, Government of Andhra Pradesh and the Central Government continue to pursue policies which would destroy the handloom sector, reduce allocations and remove all the policies painstakingly struggled for and formulated. What did the handloom weavers do for this colossal neglect? Is it because they are no longer considered as the vote base of the powers that be? Is it that the handloom weavers have lost their political clout across the political parties? Or is it because of the strangle hold of World Bank and the agents of globalisation on the current government policies?

would not accept/adopt the recommendations of this Committee, actions such as reduced budget allocations clearly show that it has been accepted. Equally, Government of Andhra Pradesh, which follows Vision 2020, has started neglecting this sector, since it was not identified as the 'growth engine' for the Andhra Pradesh to become 'Swarnandhrapradesh'.

Under the Plan, in 2001-02, share of allocation for Handlooms and textiles was 21 percent of the total allocation to the Department of Industries and Commerce. It was 21 percent again in 2002-03. However, in 2003-04 this share has fallen drastically to 12 percent. The allocation for Handloom itself has decreased by Rs. 4 crores, between 2001-02 and 2002-03, and Rs.7 crores (approx.) between 2002-03 and 2003-04.

Under the Non-Plan, share of allocation for Handlooms and textiles was 9 percent of the total allocation to the Department of Industries and Commerce, which marginally increased to 21 percent in 2002-03. However, in 2003-04 this share has fallen to 10 percent. Almost 95 percent of the Non-Plan allocation is utilized for salaries and other allowances. Thus, the allocation shows some commensurate increase, as the government extends benefits to the employees.

Under the Plan allocations, the bulk of the budget comes from the Centrally sponsored schemes, as given in the Table II below. Total matching State share in the Centrally sponsored schemes for the year 2003-04 is Rs.4.27 crores. This is a 75 percent decrease from the

Table I. Budget in Andhra Pradesh for Handloom Sector (in Rs. Crores)						
	<i>2001-02</i>		<i>2002-03</i>		<i>2003-04</i>	
	<i>Plan</i>	<i>Non-Plan</i>	<i>Plan</i>	<i>Non-Plan</i>	<i>Plan</i>	<i>Non-Plan</i>
Industries and Commerce	217.83	44.09	196.30	41.30	283.96	39.78
Handloom and Textiles	46.71	4.25	42.59	4.59	35.68	4.03

Apparently, the budget allocations took a sharp decline after the submission of the Sathyam Committee Report, which strongly favoured the sapping of the handloom sector in favour of ultra-modern textile mills. While the central Government has publicly declared that it

previous revised estimate of Rs.17.67 crores for the year 2002-03.

Bulk of allocations in the Centrally-sponsored schemes goes to Deendayal Hatkargha Protsahan Yojana,

However, the real picture emerges when the Revised estimates for the Year 2003-04 are brought out.

The State funds themselves have been decreasing, from 997.14 lakhs in 2001-02 to Rs.533.13 lakhs in 2002-03 to Rs.426.50 in 2003-04 – a 57 percent decrease. Central funds have also shown a decline from Rs.3447.82 lakhs in 2001-02 to Rs.2952.30 lakhs in 2002-03 to Rs.2129.04 lakhs – a 38 percent decrease

These Estimates for various schemes demonstrate that the budget allocations for the handloom sector are clearly in the decline. In fact, the matching funds provided by GOAP are meager, catering mostly for the salaries of employees. Even the Central funds are being cut drastically. It remains to be seen whether some of the schemes would be continued at all for the next year.

Table II. Centrally-Sponsored Schemes for Andhra Pradesh(in lakhs) 2001-2004						
SCHEMES	CENTRAL FUNDS			STATE FUNDS		
	<i>2003-04</i>	<i>2002-03</i>	<i>2001-02</i>	<i>2003-04</i>	<i>2002-03</i>	<i>2001-02</i>
Salaries and other expenses for enforcement of Handloom Reservation (Headquarters and District Offices)	40	26	26	10	-	-
Rebate on Handloom cloth	6	350	322.09	1	25	-
Matching contribution to thrift Fund-cum-saving and Securities	25	50	235.42	25	25	110
Subsidy for Workshed-cum-House scheme for Handloom	75	200	770.21	51.81	50	110
Project package scheme	21.49	284.14	765.98	21.49	67.88	513.13
<i>Deendayal Hatkargha Protsahan yojana *</i>	1291.2	1669.29	432.64	317.20	365.25	264.81
Training to Weavers	10.26	4.5	4.5	-	-	-
Apparek Export Park/Textile Parks	500	-	-	-	-	-
Health Package	50	103.22	226.73	-	-	-
Integrated Hanloom Vilage Development	100	205.25	464.25	-	-	-
Handloom Development Centres	-	10	-	-	-	-
Workshed-cum-housing for powerloom workers	10	50	200	-	-	-
Total	2129.04	2952.30	3447.82	426.50	533.13	997.94
Note: These figures have been compiled from Budget Estimates of GOAP, 2002-03 and 2003-04, and brought to near est figure * DDHPY: for the year 2001-02, both State and Central funds were Revised Estimates.						

Of all the schemes, the bulk of the allotment is to Deendayal Hatkargha Protsahan Yojana, whose objectives and goals are far away from what is presently required by the handloom weavers in Andhra Pradesh, and also across the country. Even today, handloom weavers do not have any information about what this scheme means to them, and how it impacts on improving their livelihood conditions.

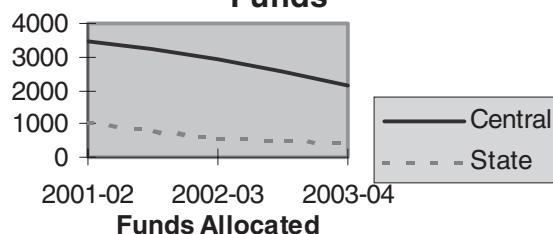
Both the Central and State funds for Rebate on Handloom cloth has been drastically decreased from Rs.350 lakhs in 2002-03 to mere Rs.6 lakhs in 2003-04 (Central funds) and from Rs.25 lakhs to Rs.1 lakh (State funds), respectively. Thus, in total, only Rs.7 lakhs have been allotted to rebate on handloom cloth. For 1,74,690 handloom weavers (government figures) in the State, this rebate works out to a mere Rs.4 for the entire year.

In comparison, the budget for Automation and modernization of Commissionerate of Industries (Rs.3.45 crores), just one office, nearly matches the budget for handloom sector under the non-plan. Further, government has been allocating substantial funds to the setting up of Biotechnology Park near Hyderabad; Rs.3 crores in 2002-03 and Rs.6 crores in 2003-04. This Park is expected to generate, with great difficulty, about 10,000 jobs. Under the incentives for industrial promotion, government had allocated Rs.21 crores in 2002-03 (revised estimate), and Rs.12.50 crores in 2003-04. Government is also providing Rs.3 crore power subsidy to powerlooms in the State. This indicates that the priorities of the AP government have shifted definitely from the handloom sector. Handloom sector sustains the self-employment of 1,74, 690 handloom families, and yet the allotment is a paltry sum.

This also flies in the face of the claims by the State government that handloom sector is being given the most importance in the government policies. All the State government schemes are meant for weavers, including powerlooms and handlooms. Government documents cleverly fail to distinguish between the two. Welfare schemes are very few, and that too the design of the programmes is such that the benefit is not apparent. For example, there is the provision of health facilities to 41,552 weavers in corporate hospitals in

2003-04. The monetary benefit under this scheme goes directly to the hospitals, while there is big question whether actual benefits would be availed by the handloom weavers, given the poor track record of corporate hospitals in providing health facilities to poor people.

Decline in Central and State Funds



Information on the procedures for the schemes is not available with the handloom weavers. They do not have access to information on how the schemes are being implemented, and whether there are any assessments about the schemes. No details are available with regard to Rs.40 crore restructuring project of APCO. The scheme of apparel/textile parks is no way related to the situation, conditions and aspirations of the handloom weavers. Declaration of these parks by the Handloom department is nothing but misleading the handloom weavers.

In general, subsidies for handloom weavers have been withdrawn totally. Welfare schemes for handloom weavers are very few. Allocations for these few schemes are on the decline. It is apparent that the real recipients of funds under various schemes are not handloom weavers but traders, powerloom owners, employees of the department, various organizations and cooperatives. Most of these schemes sidestep the real requirements of the handloom weavers. The Enforcement wing for Handloom Reservation has failed to protect the handloom sector from unfair practices of powerlooms and textile mills. While the handloom weavers have been asking for efficient mechanisms for supply of raw materials, rationalization of price structure of raw materials, and good marketing support, governments have ignored them. All these clearly prove that the governments have accepted the Satyam Committee recommendations in toto and have been pursuing policies which are detrimental to the interests of the handloom sector.

Apparel/Textile Parks for Exports – is there a place for Handlooms?

A Central government sponsored scheme titled “Apparel Parks for Exports” has been formulated with a view to involve State Governments in promoting investments in the apparel sector. The Scheme is intended to impart focussed thrust to setting up of apparel manufacturing units of international standards at potential growth centres and to give fillip to exports in this sector so as to achieve the target of Rs.1,25,000 crores by 2010 as envisaged in the National Textile Policy, 2000 (NTxP-2000).

Under this scheme, the State Govt. or an Undertaking sponsored by the State Government (the designated agency) will provide land free of cost for establishing the park of sufficient size. As per the guidelines, the size of an apparel park may be approximately 150-250 acres, but can vary. The location of the apparel park will be such that it is conducive to the establishment of state-of-the art manufacturing units in terms of its access to ports, airports, rail heads etc., availability of raw-materials and the general level of infrastructural facilities available. Government will provide infrastructural facilities like power, water, roads (including approach roads to the park), sewerage and drainage, telecommunication & other facilities for the park. Such facilities shall be of high standards to ensure that the units established in the park are able to function efficiently.

The park will have garment manufacturing units with each unit having atleast 200 sewing machines. The park would especially aim at integrated units. It would provide employment to at least 20,000 persons when it becomes fully operational. The park could have the ancillary units like the units manufacturing buttons etc. The park would also aim at having specialised units like processing or washing units to bring more value addition to the garments manufactured. The State Government will also take the initiative in providing flexibility in labour laws in these clusters. The Central Government will give as a grant 75% of the capital expenditure incurred by the State Government on the infrastructural facilities of the Apparel Park, while the remaining 25% will be borne by the agency - for Andhra Pradesh, the allocated budget is Rs.5 crores.

Guidelines say that this grant shall be limited to a maximum of Rs.10 crores. Guidelines for the establishment of the Park includes its potential to attract investments, employment generation, upgradation in technology, additionality to exports and creation of labour productive environment.

One Apparel Export Park was set up at Gundlapochampally near Hyderabad, in 173.86 acres. This Park is expected to be supported by institutions like National Institution for Fashion Technology and Apparel Training Design Center and Hyderabad Institute of Fashion Technology. Government feels these institutions are enhancing the quality and effectiveness of skills and also creating right atmosphere for the Apparel Export Park. The following incentives are offered by Government of Andhra Pradesh to all units including those located in AEP:

- Investment subsidy at 20% of fixed capital investment not exceeding Rs.20.00 lakhs.
- Deferment of Sales Tax limited to 135% of fixed capital investment in a period of 14 years (or) Sales tax exemption for a period of 7 years limited to ceiling of 135% of fixed capital investment during the entire holiday period.
- Common sewage/effluent conveyance system is provided in the park and hence obtaining

followed by Project Package Scheme. The share of the State funds is very less, and has decreased to 18 percent in 2002-03. A marginal increase of 2 percent in 2003-04 does not hide the drastic 8 percent decrease.

Obviously, these Parks are meant for export-oriented manufacturing and production. While it is clearly understood that this is for apparel industry alone, it is inexplicable how governments, bureaucrats and political party leaders project this as a benefit of handloom sector. Either these people have not understood the nature of the handloom sector in India, or they want the handloom sector to change itself through such schemes. Handloom weavers in many major centers are already living in Parks-like atmosphere. Governments if interested can improve the infrastructure facilities in these centers to encourage handloom exports.

Probably, these Parks are expected to be the source of employment for handloom weavers by converting themselves into garment workers. Another recommendation of Sathyam committee in implementation!

Is handloom doomed?

(Source: Kathyayini Chamraj, Is Handloom Doomed, Humanscape, Vol. X Issue V, May 2003)

The so-called 'fair and free trade' today is neither fair nor free. Handloom and handloom workers face an uncertain scenario in the present era of technology and an unfair globalisation process

The responses to severe livelihood crises in our midst are beginning to border on the ludicrous. When farmers or handloom weavers committed suicide, unable to pay their debts due to structural inequities in the system, the response of one state government was to say that they were deliberately killing themselves to cash in on the compensation amount announced by the government so that their families could live happily ever after. Another solution resorted to by a state government was to avail the services of psychiatrists to counsel the farmers and weavers about maintaining a positive attitude in life and avoid committing suicide.

Introspection by the governments themselves on how their policies are systematically destroying livelihoods of farmers and artisans, such as handloom weavers, and driving them to suicide is rarely the solution they come up with.

The job-creating, environmentally sustainable and wholesome work of handloom weaving epitomises the values desirable for the 21st century, plagued as it is by job-less, energy-intensive and environmentally destructive growth, which fosters over-consumptive lifestyles. But experts blindly aping the decadent development models of the west find handloom weaving 'inefficient', 'unfashionable' and 'destined to die'.

They would rather foster powerlooms and mills because these are allegedly 'productive', 'efficient' and 'competitive' in a globalised world.

Since the Independence struggle itself was based on the theme of boycott of British mill-woven cloth which destroyed indigenous handloom weavers, there were many laws and much talk of protecting the handloom sector soon after Independence. But this lip sympathy went hand in hand with the large-scale setting up of powerlooms and composite mills though it was known that every powerloom set up would displace 14 handloom weavers.

The 1985 Textile Policy was the first anti-handloom policy in the post-Independence period, but despite this it continued to speak of social objectives. The policy intended to increase the production of cloth keeping the employment potential in view. Further, despite its bias towards liberalisation, it provided measures to protect handlooms – significantly those of the Reservation Act and the Hank Yarn Obligation of the spinning mills.

As per the Handloom Reservation Act, 22 items were reserved for production in the handloom sector (these have been recently reduced to 11). As per Hank Yarn Obligation, spinning mills are required to process 50 per cent of their yarn production in hank form, required by the handloom sector, and the rest in cone form used by powerlooms and mills.

But in reality, says the Hyderabad-based Centre for Handloom Information and Communication (CHIC) set up in response to the crisis in the handloom industry, the mills never met the target, the actual deliveries of hank yarn generally averaging about 25 per cent of total yarn output. In addition to the shortage of hank yarn for handlooms, the situation was aggravated by large scale poaching of hank yarn by the powerloom sector which passed off powerloom products as handlooms. The powerloom sector violated the Reservation Act as well with impunity by producing items reserved for the handloom sector as there was none to check the offences though these were non-bailable, if detected.

The shortage of raw materials was further exacerbated by exports of cotton and cotton yarn in the wake of the New Economic Policy in the early '90s to earn foreign exchange to meet the consumerist demands of the affluent without consideration of domestic demand of weavers to sustain their livelihood. The exports of

cotton and yarn also resulted in steep increases in the price of hank yarn making handlooms uncompetitive, leading to unsold stocks in godowns and more than 200 starvation deaths or suicides of weavers.

Many of these problems of handloom weavers were aggravated with the phasing out of the quantitative restrictions (QR) on imports (in tune with the WTO regime) and the Report of the SR Satyam Committee setup in July 1998, which led to the formulation of the New Textile Policy, 2000 of the government. Srinivasalu of Osmania University points out that despite the overarching significance of the committee, there was no representation from the handloom sector on it. What's more, in this age of transparency, the Satyam Committee Report has not even been made public.

The Satyam report seeks to undo whatever little protection still existed under law, says Prof. Srinivasalu of Osmania University. The principal objective of the Report has been to recommend measures for coping with the competition in the international market. Hence, handloom weavers are expected to 'modernise' by shifting to powerlooms and computer-aided designs. The government is to support them in this through special schemes, while the Reservation Act and the Hank Yarn Obligation are to be scrapped as "unsuitable in this globalised age".

The impression is also being created in some circles that the development of the mill sector itself has been hampered because of the 'support' given to the handloom sector. Dr Naresh Sharma of the University of Hyderabad refutes this premise in an article written for the Centre for Handloom Information and Policy Advocacy (CHIP) based in Chirala, Andhra Pradesh. He says that while ostensible protection to the handloom sector has created the impression that it is surviving because of the 'charity of the Indian tax-payer', the immense support to the modern mill sector has remained invisible. Dr Shyama Sundari, a research scholar, argues in the same document that the handloom sector is not alone in seeking government support as even for encouraging industries with foreign collaboration, local government has a role in providing infrastructural facilities. Handloom industry is also demanding that its needs for raw materials like yarn and dyes and marketing channels be met.

The Satyam Commission Report presumes that there will be no handloom industry after 2005 and that all handlooms should be converted to powerlooms by then. Though Karnataka and Andhra Pradesh have been taking initiatives to convert handlooms to powerlooms, there has been no support for the changeover in the form of skill training or rehabilitative measures. The handloom weavers are expected to find the alternative employment on their own.

According to Philip George, former Convenor of the SIHWOC, the Planning Commission recognised the lacunae in the Satyam Commission Report at a meeting in 2001 and agreed to set up a new Commission. But this has been in limbo. A subsequent State Textiles Ministers' Conference in Tirupathi also expressed itself against the Satyam Commission Report. But nothing much has come out of that either.

L.C. Jain, former Planning Commission member, compares the call to starving weavers to 'drop Gandhi and go to the French designer Cardin' as akin to Marie Antoinette asking the people to eat cake if they did not have bread. He cautions about the risks involved to weavers in depending on exports and free trade, as world trade in textiles is one of the most restriction-ridden and is neither free nor fair. "The developed economies, including the paragon of 301 virtues, the USA, are determined to 'protect' (a dirty word in India today) the interests of their respective textile workers", he warns.

It is indeed an irony that our handloom weavers who have woven and continue to weave, without the aid of computers or power, the most complicated and beautiful designs the world has ever seen, are being asked to prove their competitiveness against those whose imagination often does not go beyond the weaving of vertical or horizontal stripes!

The Human Development report of UNDP for 2002 also states, "The average poor person in a developing country selling into global markets confronts barriers twice as high as the typical worker in industrial countries, where agricultural subsidies alone are about \$ 1 billion a day – more than six times total aid. These barriers and subsidies cost developing countries more in lost export opportunities than the \$ 56 billion in aid they receive each year. If there were a levelling of the

global playing field, many of the gains would come in low-income, low-skill areas such as agriculture, textiles and clothing”.

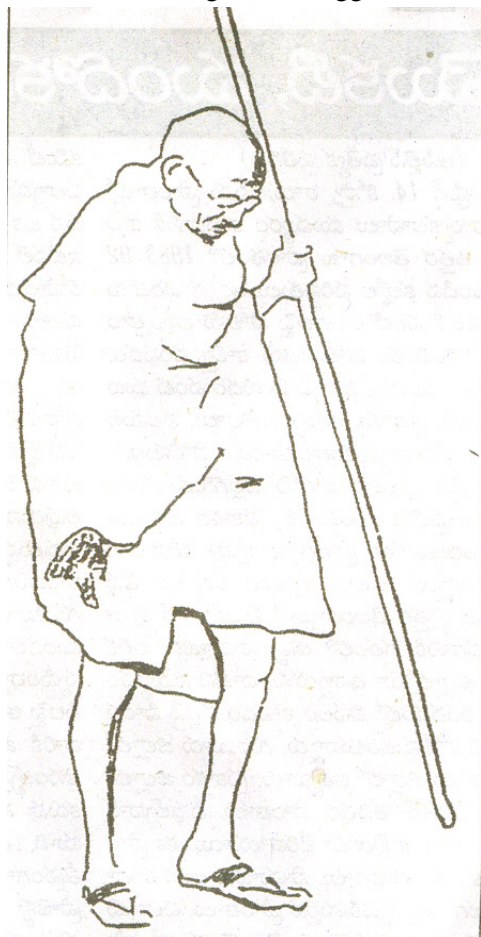
The Report also fears that though the 2001 World Trade Organisation meeting in Doha produced a framework for lowering trade barriers worldwide, there is concern that reductions in the most important areas – barriers against textiles and subsidies for agriculture – may stall when the formal rules are developed.

The thesis of ‘economic efficiency’ of powerlooms and mills rests on the narrow calculation of ‘unit cost of production’. It completely overlooks the ‘social efficiency’ (creation of jobs) and ‘environmental efficiency’ (non-use of power) of handlooms which should necessarily be taken into account in any such calculation.

LC Jain recalls that in the ‘50s, PC Mahalanobis had flagged ‘unemployment’ as the overriding problem of the country. He wanted that machines, if already installed in consumer goods sector, should be kept idle but hands should not be kept idle. But despite devastating evidence provided over the last few decades to the contrary, a 2002 Planning Commission report on employment prospects still hopes that 6 million new jobs will be created by the small-scale industries and 7 million by poverty alleviation schemes by 2007. This is sheer self-deception, believes Jain.

Jain hence pleads that the preservation of lakhs and lakhs of existing jobs, as in the handloom sector, should come before creation of jobs. The government will never be able to provide alternative jobs to 12.5 million people dependent on handlooms. Jain rues: “Unemployment is curse enough for the millions afflicted by it, but the dust and hopelessness, if not deception, heaped on their heads and hopes by the policy-makers should make Mother India weep”.

As Jean Dreze said at the Asian Social Forum in Hyderabad recently, “given their circumstances, it is a wonder how millions of poor find the courage to live and struggle at all” Possibly, the handloom weavers are the first ones declaring with their suicides that there is a limit to their courage and struggle.



Do we remember what Mahatma Gandhi said about handloom sector in India? Has it become irrelevant now? Is self-reliance antithetic to globalisation and economic liberalization? Does liberalization mean ‘forcing’ the demise of one sector in favour of other sectors?

Write to us your suggestions, thoughts and contributions.